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THE  
CREDIT MOBILIER  
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T H E

# CREDIT MOBILIER OF AMERICA,

A PAPER READ BEFORE THE

RHODE ISLAND HISTORICAL SOCIETY,

Tuesday Evening, February 22, 1881,

BY

ROWLAND HAZARD.

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## CREDIT MOBILIER OF AMERICA.

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THE story of the building of the Pacific Railroads forms a most important chapter in our national history. Whether we consider the length of the completed line, the shortness of the time of construction, the character of the deserts and mountains through which it was carried, or the importance of the results accomplished in binding together two distinct portions of this great nation, it remains and will remain one of the most wonderful achievements of this age of wonders.

The Central Pacific started from California to cross the Sierra Nevada. The Union Pacific from the banks of the Missouri river sent out its engineers to mark a course across the great American desert, across the Rocky Mountains, to meet its sister Company in some unknown wilderness in the heart of the continent. The surveying parties began over seventeen hundred miles apart. Between them lay an uninhabited and almost unknown region; parts of it were without water, parts of it were occupied by hostile tribes of Indians, and in other parts it was traversed by mountain ranges whose inaccessible ravines and rocky precipices were the theme of many a hunter's story of hardship and hair-breadth escape. That the road would ever be carried through to completion was doubted by the great majority; that it would be finished in four years from the time the work began in earnest, was not dreamed of by the wildest enthusiast. Yet the feat was accomplished.

Previous to Sept. 25th, 1865, only eleven miles of track

had been laid by the Union Pacific Company. On Oct. 5, 1866, the first contract was finished and 247.45 miles of road were complete, and on May 10th, 1869, the last spike was driven. Nov. 6th, 1869, has been fixed by judicial decision as the day when the through line across the continent was legally completed, but the work was done six months before. In about 1130 working days 1709 miles of railroad had been constructed, an average of over a mile and a half per day for the entire working time. This is an achievement unparalleled in the history of railroads.\*

This statement, however, includes the work of the Central Pacific. With that road, which constitutes nearly three-sevenths of the entire line, this paper will have little to do. But with the Union Pacific the case is different. The subject I have set before me is the Credit Mobilier of America. Its history is so intertwined with the history of the building of the Union Pacific portion of the great trans-continental line, that in order to understand the one, the other must be studied also.

As first in the order of time, I will briefly sketch the history of the railroad.

As early as 1849, Asa Whitney memorialized Congress

\* These figures vary a little from the original estimates, but they are taken from the official tables of the Union and Central Pacific Railroads. The Central Pacific Company was organized under the laws of California. Its road began at the city of Sacramento. September, 1865, this road was opened to Colfax, 56 miles. In May, 1866, it was opened ten miles further to Secret Town, and in November to Cisco, 94 miles from Sacramento. From Omaha to Sacramento the distance is 1776 miles. This may be tabulated thus:—

Total distance Omaha to Sacramento	1776 miles.
In September, 1865, finished, west from Omaha,	11 miles,
“ “ “ east from Sacramento, 56 “	—
	67 “
Remaining, September 25th, 1865,	1709 “

This was all finished May 10th, 1869, thus occupying, in building, three years, seven months and fifteen days. Making the allowance for Sundays and July 4th, we have 1130 working days. This gives a rate of 1 6-10 miles per day.



on the subject of a Pacific railway. He asked for a belt of territory sixty miles wide and two thousand miles long.

James A. Rockwell, of Massachusetts, for the House committee to which it was referred, reported against the proposal. He argued that the expense of transportation, even if the line could be built, would be too great. This, he said, would prevent its use as a part of the route to China, and the whole proposition was regarded as chimerical. No great public interest was excited by this proposal, nor by some others less definite which succeeded it, and previous to 1856 a railroad to the Pacific had been thought of by few persons. If suggested, it was referred to as something afar off, very desirable indeed, but beyond the bounds of possible attainment.

Then came the explorations of John C. Fremont, and in 1856 his nomination for the Presidency. During this campaign the idea of a Pacific Railroad as a possibility was maintained. One of the strong recommendations of Fremont was that he had explored a route by which a railroad could be engineered across the mountains. He was the Pathfinder of the West, and the popular enthusiasm was aroused for the man who had shown the way by which the East and the West could be bound together.

Already there was need of such a tie. Far-seeing men clearly perceived that the far-off and isolated State which was rising so rapidly into great importance upon our western coast, must be bound to the nation with stronger ties, or our national unity would be in danger.

Four years later, the idea of a railroad to the Pacific took more definite form. It was one of the important political questions of the day. It was endorsed by the Chicago Republican platform. It was discussed in the Presidential campaign, and everywhere through the North there was a strong feeling in its favor. This feeling was strengthened by the forebodings of evil which began to be heard. Threats of secession at the South, and the remote and isolated posi-

tion of California, made it seem possible that before our hundredth birthday, our nation would be shattered, and three distinct nations—a North, a South, and a West—would be formed of its fragments.

When, in 1861, the rebellion actually broke out, the fear of such a result was intensified, and, while the armies of the Union were mustering to prevent by force the secession of the South, statesmen were planning to peacefully bind the Pacific to the Atlantic with such a bond that there would never be an effort at disruption.

The Act of 1862 was passed by Congress as the practical expression of this feeling. So far as I am aware, it has never been charged that any improper influence was brought to bear to procure the passage of this Act. On the contrary, there was very little opposition to it.\*

\* The following summary of the steps by which the Act of 1862 passed through Congress has been taken from the pages of the Congressional Record of the 37th Congress.

Feb. 2nd, 1862, an Act (S. No. 185) was introduced into the Senate by S. C. Pomeroy of Kansas. It was read twice and referred to the select committee on the Pacific Railroad (p. 619).

This select committee had been appointed at the Special Session of 1861, and it was continued by vote Dec. 9th, 1861. It consisted of James A. McDougall, California; S. C. Pomeroy, Kansas; Daniel Clark, New Hampshire; Edgar Cowan, Pennsylvania; Robert Wilson, Missouri.

Feb. 5th, 1862. Mr. James S. Rollins, of Missouri, introduced an Act (H. R. No. 364) into the House of Representatives, by unanimous consent. It was read twice and referred to the select committee on the Pacific Railroad. This committee consisted of representatives James H. Campbell, Pennsylvania; John B. Alley, Massachusetts; Francis P. Blair, Jr., Missouri; William A. Hall, Missouri; Edwin H. Webster, Maryland; Richard Franchot, New York; Isaac N. Arnold, Illinois; Aaron A. Sargent, California; George K. Shiel, Oregon.

Feb. 19th, 1862. Resolutions of enquiry were adopted requesting information from the Departments as to the cost of the transportation for the Government during the last five years to the Pacific coast (p. 877).

March 4. Bill was reported from the select committee, read twice, and recommitted and ordered printed.

March 14. Mr. Campbell, of Pennsylvania, introduced another bill (H. R. No. 323). This was made special order for Tuesday next. Including this, three bills were now before Congress.

March 25. Consideration of H. R. No. 364 postponed for one week.

April 1st. Again postponed.

April 8th. H. R. No. 364 was taken up and debated in committee of the



President Lincoln, who, on grounds of State policy, was deeply impressed with the necessity of a railroad to the Pacific, warmly approved the bill and promptly gave it his signature. By this Act, Congress created the Union Pacific Railroad Company. The corporators, who were also made a Board of Commissioners for the organization of the Company, were one hundred and sixty in number, and repre-

whole. Mr. Campbell, of Pennsylvania, supported the bill. In his speech he gave statistics of the cost of government transportation, postal service, etc., etc., to the plains and to the Pacific coast. The figures are \$7,357,781.88 per annum. This is the average of the five years preceding July 1st, 1861. (Page 1579.)

April 9th. Mr. Phelps, of California, also supported the bill.

Mr. Sargent, of California, argued that if the interest on the bonds proposed to be loaned to the Company was all paid by the Government, and not repaid by the Company, there would still be a saving of \$2,000,000 per annum to the United States over the present cost by present means of transportation. In view of the fact that the Government was to pay out the interest, which might not be repaid, the issue of bonds was ruled by the Speaker (Galusha A. Grow, of Pennsylvania,) to be in the nature of an appropriation (page 1578).

April 10th. Further consideration postponed one week.

April 17th. Debated in committee of the whole. Mr. Lovejoy, of Illinois, criticised some features of the bill. He thought under it the Pacific Railroad could not be built. He defended himself from the charge that he was opposed to the Pacific Railroad. There was a full debate. Mr. Fessenden, of Maine, called attention to the plank in the Republican platform, "that a railroad to the Pacific Ocean is imperatively demanded by the interests of the whole country."

Mr. Morrill, of Vermont, opposed present action. He said: "As a commercial or economical question, such a road is utterly defenceless, but as a national question it has great merits, which in due time will be recognized."

April 18th. Bill was again debated in committee of the whole.

April 28th. Debate in committee of the whole. Bill amended. Some of the suggestions of debate adopted; among others, the provision that the rails should be of American iron. (Pages 1906-1909.) Debated item by item.

April 30th. Again debated in committee of the whole.

May 1st. Again debated in committee of the whole. Mr. White, of Indiana, moved that the current interest should be paid by the Company, and he introduced an amendment to that effect, which was voted down.

May 5th. Debated and perfected in committee of the whole, and reported to the House. In the House the previous question was seconded, and the main question was ordered for the next day.

May 6th. The bill passed by a vote of 79 yeas to 49 nays.

In the Senate the Bill was amended, discussed and debated at great length, and finally passed, as amended June 20th, by a vote 35 to 5.

The Senate amendments were concurred in by the House by a vote 104 yeas to 21 nays, June 24th, 1862. Approved July 1st, 1862, by Abraham Lincoln.

sented twenty-four States and Territories. To this number five were to be added by appointment of the Secretary of the Interior.

In-looking over the long list of names, it is evident that this bill was gotten up in the interest of no ring nor section. There are few large capitalists, few men of distinguished prominence, but the names are selected from the States not in rebellion, with an evident desire to afford all a fair representation. Rhode Island has the honor of leading the way, and heads the list with the names of Walter S. Burges, Wm. P. Blodgett, Benjamin H. Cheever and Charles F. Fletcher. The bill is entitled, "An Act to aid in the construction of a railroad and telegraph line from the Missouri river to the Pacific ocean, and to secure to the Government the use of the same for postal, military and other purposes." In effect it was an offer by the Government of certain aid, if the Company thus incorporated would construct the road, and would allow the Government to use it upon certain terms. What the Company was to do and what the Government was to do are clearly set forth.

The Government proposed to give the Company,

First—The right of way.

Second—The alternate sections of land on both sides of their track within the limits of ten miles on each side, making ten sections per mile.

These were grants with conditions. In addition, the Government proposed to loan the Company its bonds, \$16,000 per mile for the plain part of the way, \$32,000 per mile for the more difficult portion, and \$48,000 per mile for the three hundred miles crossing the two highest ranges of mountains, that is, one hundred and fifty miles for each range. As the road over the Sierra Nevada was constructed by the Central Pacific, the Union Pacific only could claim for 150 miles at \$48,000 per mile.

This loan of bonds of the United States was to constitute a first mortgage on the railroad and its equipments. The



bonds were to bear six per cent. interest payable in currency, were to be payable in thirty years, and were to be paid by the railroad company at maturity, and in default, the Government could take possession of the railroad. Besides this, the Government stipulated that, in exchange for its grants and its aid, it should have the right to the use of the railroad for postal, military and other purposes, and that it should at all times have the preference in such use. The Company should charge the Government for services such rates as were charged to other persons for similar service, and the whole of such earnings of the railroad for services to the Government should not be paid for in cash, but should be credited by the Government against its loan of bonds to the Company, and the interest thereon.

Further, after the road was completed, five per cent. of the net earnings were to be paid over by the road yearly to the Government to be credited for the same purpose.

The stock of the Company was fixed at one hundred millions of dollars, and the work was required to be completed in 1876, fourteen years from the date of the Act.

There were other provisions somewhat unfavorable to the Company. The Hannibal and St. Joseph road and the Missouri Pacific were authorized to build a competing branch. The Union Pacific was required to build the Iowa Branch and the Sioux City Branch. Both these were felt to be expense without corresponding advantage, while the Missouri Pacific, which they were not allowed to build, was a competing line from the great city of St. Louis. But leaving out of view these and all side issues, it is plain that the Act made certain substantial offers from the Government to the Company, upon condition that the Company should build this road.

The Act was passed, approved by President Lincoln, and the Company was organized. After a time some subscriptions to stock were obtained, but they were insignificant in amount, and the total subscriptions under this Act were

two thousand one hundred and eighty shares of \$1000 each, upon which ten per cent. was paid in, amounting to only two hundred and eighteen thousand dollars.

Thus matters stood at the close of 1863.<sup>3</sup> For a year and a half the proposition of the Government had been before the public. It had been urged upon capitalists, but they had declined to accept it. Some conservative men had no faith that the road could be built; and many others who conceded its physical possibility were firmly of opinion that if built it would not pay running expenses. With no prospect of profit, capital naturally refused to lend itself to the enterprise. The beginning was a failure.

Congress was now asked to offer better terms, so that capital might be attracted to the undertaking. President Lincoln, in conversation with gentlemen who were subsequently interested in the building of the road, said Congress could well afford to *give* the entire amount of proposed bonds as a gift outright, rather than not have the road built. He advised that an amendment should be proposed liberal enough to secure the construction of the road at the earliest possible time. This was then the feeling of the country, it was the feeling of Congress, and under its influence the Act of 1864 was passed.

There have been insinuations that this amendment was procured by bribery. No proof has, however, been adduced, and all the circumstances are against the presumption. There was no need of bribery. A large majority of Congress were in favor of granting terms which would induce capitalists to build the road. The terms proposed in 1862 had failed. Congress recognized the necessity of advancing upon that offer. There was no body of capitalists organized for building the road asking Congress for better terms. On the contrary, in consequence of the indifference with which capital regarded the enterprise, it was dragging along in the hands of men of little pecuniary responsibility. Thomas C. Durant and Samuel Hallett at that time were especially con-



spicuous. They were both men of ability and great shrewdness, and though it may be truly charged that they were not over-scrupulous, no one would ever accuse them of expending money in bribes when there was nothing to be gained.

A large sum of money has indeed been traced to the hands of Durant. In a case which has been before our State courts for twelve years, this sum has been recently found by the Master to be over \$1,000,000. Of this, \$435,000 was in a suspense account, and the intimation has been made that this was expended by Durant in Washington. This was never believed by those most familiar with the facts. Durant himself testifies that he gave a large amount of bonds to one Joseph B. Stewart. Stewart refuses to reveal the exact disposition he made of these bonds, but he testifies that they were not given to members of Congress, and that they were used in the settlement of sundry disputes and differences between the different companies. It transpires that they were used largely, if not altogether, in promoting the interests of the Kansas Pacific Railroad, or, as it was then called, the Union Pacific Eastern Division. This was really a rival line to the Union Pacific proper, and the similarity of name has often caused confusion. It was to connect with the main line at the one hundredth meridian, and its actual terminus was the city of St. Louis.\*

Durant, Hallett, and a gentleman of St. Louis, took the contract for building this line. At the time Durant took this one-third interest in this rival line, he was a director and Vice-President of the Union Pacific. The operation illustrates his remarkable versatility.

But to return to the question of how the amendment of 1864 came to be passed. There is no evidence that it was

\* The Union Pacific Railroad Eastern Division was originally called the Hannibal and St. Joseph Road, and it was to unite with the main line, via Atchison, at the one hundredth meridian. Subsequently it was authorized to continue westward to Denver from Kansas City in Missouri.

procured by bribery. The investigations have been most searching, and not only is there no public proof of bribery, but there is no belief, on the part of those best informed and best qualified to judge, that the passage of this amendment was procured either by bribery or by improper influences. The amendment was introduced into the House on the 16th of March, 1864. It was understood to embody a plan which would induce capitalists to build the road. It was reported by the select committee, of which Thaddeus Stevens was chairman, June 2nd. Mr. Washburne, of Illinois, opposed the bill. Mr. Stevens, of Pennsylvania, ably replied, and answered Mr. Washburne's objections. On June 24th, on the proposition to make the government bonds a second mortgage, instead of a first mortgage, which was properly regarded as a test question, the vote stood eighty-one ayes to thirty-one noes. After this the bill was advanced rapidly. Differences between the House and Senate were arranged by a committee of conference. The report of the committee was agreed to, and the bill was passed, without a call of the House, July 1st.\*

By this amendment, the terms offered by the Government were materially changed. The land grant was doubled, so as to give twenty sections per mile instead of ten. The loan of government bonds was made to be a second mortgage instead of a first mortgage, and for the services of the Company the Government agreed to pay one-half cash, and retain only the other half to apply to the payment of bonds and interest. Under the Act of '62 they retained the whole for that account. The other features of the Act of 1862 were left unchanged, including the five per cent. on net earnings, which the Company was bound to pay to the United States after the completion of the road.

This proposition was put forth to the country, but no anxiety was displayed by capitalists to accept it. This of

\* Thirty-eighth Congress, Congressional Globe, pages 3154 to 3480.



itself would prove almost conclusively that the Act had not been obtained by bribery. If it had been so obtained, the parties in interest would have at once seized their ill-gotten prize. Nothing of this kind happened. The \$218,000 which had been paid in stock subscriptions had been expended, and the Company had become involved in debt. Other subscriptions did not come in, and a committee which was appointed in May, with authority to contract for the building of the road, could find no responsible contractor willing to take a contract, even after the amendment was passed and signed by the President.

This is not surprising. The Company had no money in its treasury, and the securities it had to offer were not attractive to capitalists. The government bonds which would be available on the completion of each section, bore interest at six per cent., payable in currency. On this account they were looked upon with suspicion. Gold, which in May, 1864, sold at one hundred and eighty, advanced in August to two hundred and fifty. What currency was worth, no one could guess. The first mortgage bonds depended for their value on the success of the road, and the public had no faith in that.

Finally, on the 8th of August, with gold at almost its highest point, Durant procured a proposal from a man named Hoxie to build one hundred miles of road at \$50,000 per mile, and he agreed to subscribe and pay for at par \$500,000 of the capital stock of the Company. This proposal was accepted and ratified by the committee, John A. Dix, C. S. Bushnell and George T. M. Davis, September 23rd, more than four months after their first appointment, and five weeks after the passage of the amendment.

But under this arrangement nothing could be done. Hoxie was not a man of large means, and a contract of this magnitude could not be even begun without a very large amount of cash in hand.

On the 30th of September, Durant made an agreement

with Hoxie, by which Hoxie was to assign his contract to Durant, or to whoever he should designate. October 4th, it was extended to the one hundredth meridian, embracing two hundred and forty-seven and forty-five one hundredths miles of road, and Hoxie agreed to subscribe and pay for \$500,000 more stock in the Union Pacific Railroad Company.

It is evident that these steps were taken by Durant and his friends with a view of meeting the dilemma in which the enterprise was placed, with no funds, and stock subscriptions at a standstill, by forming a construction company. Three days later, on October 7th, 1864, he succeeded in organizing a company to assist Hoxie to carry out his contract. He procured the subscription of one million six hundred thousand dollars to a fund for this purpose. It was subscribed by responsible men, and twenty-five per cent. was paid in in cash. This was the first considerable sum raised for the purpose of building the Union Pacific Railroad. By this arrangement, the parties who subscribed this \$1,600,000 were to assist Hoxie in carrying out his contract, and were to participate in the profits. When, however, the second installment of twenty-five per cent. was called for, they did not respond.\* They had become alarmed. The magnitude of the undertaking increased on closer acquaintance. It was perceived that the question of profit was wholly dependent on the success of the road as a commercial enterprise. Unless the road would pay a profit over running expenses, though the government bonds might be disposed of, the first mortgage bonds could not be sold. The public had little faith, and, so far as appeared to those early subscribers, they were in danger of losing what they had already put in. They would put in no more on that basis.

It must be borne in mind that this conclusion was reached at a time when no question of the legality or propriety of the Hoxie contract had been raised. There was no question

\* Wilson Report, pages 63 and 64.



about the Acts of Congress or about the powers of the Company. It was simply a matter of business. The contract had been made, the Railroad Company wanted it carried out. Hoxie wanted help to do it. Would it pay to put in capital and help him?

The subscribers found that the enterprise was not only hazardous, but that they were liable to be regarded as partners with Hoxie, and so in danger of being involved to an unknown extent. They thought the risk too great for the expected profit, and they said we will stop just where we are, unless we can be protected from personal liability by an act of incorporation. We are not willing to incur this risk.

Now for the first time appears the Credit Mobilier of America. The name of this Company was originally the "Pennsylvania Fiscal Agency." Its charter was granted by the Legislature of Pennsylvania in 1859. Whether the original petitioners for the charter had in mind the Credit Mobilier of France I do not know, but it is certain that the two companies were formed for similar purposes. The Credit Mobilier of France was founded in 1852, in Paris, on the principle of limited liability, by Emile and Isaac Péreire. The capital was 60,000,000 francs. It was to do a general banking business, and to facilitate the construction of public works. As its name implies, it was authorized to deal in personal property, and in this it was distinguished from the Credit Foncier, which dealt only in real estate. It was empowered to hold public and private securities, to issue bonds of its own, equal to its subscriptions and purchases, and, after its capital was all taken, to issue bonds to ten times that amount. Its career until 1867 was prosperous. It built the Paris Gas Works, organized the Paris Omnibus Co. and the company of the Grand Hotel du Louvre. It carried on immense railway operations, not only by loans to French railways, but by aid in constructing lines in Austria, Spain and Russia. In 1867 the management began to be distrusted. Dividends, which at first were large, had become

small, and the directors had made immense fortunes. In 1868 the courts decided that the directors were responsible to the stockholders, and the affairs of the Company were wound up. This malfeasance in office of the directors had, of course, nothing to do with the objects of the Company, which were both honorable and praiseworthy, and, at the time of which I now speak, it had not taken place. On the contrary, the Credit Mobilier of France occupied a most honorable position, and was at the height of its prosperity and usefulness in 1864 and 1865. A glance at the charter of the Pennsylvania Fiscal Agency shows how similar was its scope to that of the French Company. Section two of the Act of Incorporation is as follows: "That the purpose of this Act is to organize an incorporated company, and to authorize them as such to become an agency for the purchase and sale of railroad bonds and other securities, and to make advances of money and of credit to railroad and other improvement companies, and to aid in like manner contractors and manufacturers, and to authorize them, as a company, to make all requisite contracts, and especially to receive and hold on deposit and in trust, estate real and personal, including the notes, bonds, obligations and accounts of States, and of individuals and of companies, and of corporations, and the same to purchase, collect, adjust and settle, and also to sell and dispose thereof in any market of the United States or elsewhere, without proceedings in law or in equity, and for such price and on such terms as may be agreed on between them and the parties contracting with them, and also to guarantee the bonds, and the performance of the obligations of individuals, of corporations and of companies."

By a subsequent section, the liability of stockholders was limited to the payment in full for the stock to which they subscribed. This charter, containing these provisions, granted by the Pennsylvania Legislature in 1859, lay dormant until 1863. On May 29th of that year, it was organized in accordance with the charter provision, that not less than



five thousand shares of one hundred dollars each should be subscribed, upon which five per cent. should be paid in. Two men, Oliver W. Barnes and Charles M. Hall, subscribed for four thousand nine hundred and ninety-one shares, and six other persons for three hundred and thirty-eight shares, making five thousand three hundred and twenty-nine shares, and the five per cent. was paid in. Still, no business beyond organization was done.

Early in 1864 Durant appears to have heard of this Company and its charter, and, foreseeing with his accustomed shrewdness that it might be useful, he contracted to purchase of Barnes and Hall their stock. Durant made this contract March 3d, 1864, and at the same time he subscribed for five shares in his own name, and was elected President.

The negotiations in this matter were conducted by Durant through his friend, George Francis Train, and to the influence of Train the change of name which was now effected must be traced. Train had been much abroad, was excitable and visionary to the verge of insanity, and the *Credit Mobilier of France* had greatly impressed his imagination. An Act of the Pennsylvania Legislature was obtained, March 26th, 1864, changing the name of the company from the *Pennsylvania Fiscal Agency* to the *Credit Mobilier of America*. It was a woeful mistake. The new name, though innocent in itself, was strange and foreign, and therefore open to suspicion. Its meaning was unknown, and it was thus capable of having vile meanings imported into it, and it became possible for the popular mind to attach to it all those ideas of fraud and villainy which, having no existence in fact, could never have been fastened to plain "*Pennsylvania Fiscal Agency*."

But the name was changed, Durant was president, the *Credit Mobilier Company of America* was organized, and when the subscribers to the fund to carry out the Hoxie contract refused to go on unless protected by a charter from personal responsibility, Durant brought forward this Com-

pany, and proposed that it should take the contract. The parties who had already subscribed the \$1,600,000 agreed to this, and changed their subscriptions to this Company, and other capitalists were sought to take the stock in the Credit Mobilier Company for the purpose of building the Union Pacific Railroad under the protection of its charter. It was in the fall of 1864 that the proposition took this form. During that winter, and the following winter, the proposal was made to capitalists whenever there was thought to be a chance for success.\* On the 15th of March, 1865, after great effort, a subscription to the stock of the Credit Mobilier was obtained, amounting to something over \$2,000,000. Among the names which now appear for the first time are Oliver Ames, whose subscription, I think, included his brother, Oakes Ames, and Rowland G. Hazard and his brother, Isaac P. Hazard. These four gentlemen subsequently added to their subscriptions, so that the aggregate amount was \$562,500. By their aid the stock of the Company was brought up, on the 21st of September, 1865, to \$2,500,000, and this was fully paid in, one hundred cents on the dollar. It must be borne in mind that these were not subscriptions to the stock of the Union Pacific Railroad, but to the stock of a Company incorporated by the State of Pennsylvania, which now proposed to proceed and build the Union Pacific Railroad. The Railroad Company was in great danger. Their efforts at construction had failed. They besought capitalists to help them, and at their earnest solicitation the Credit Mobilier Company was formed, and the building of the road secured. At the time of the two million subscription, of March 15th, 1865, an agreement was made by which

\* See Poland Report, page 431. Horace F. Clark testifies that he was invited to take an interest as late as 1866, and he declined because he thought it too hazardous. He says: "Being considerably connected with railroads, I gave some general attention to the subject, which I suppose every intelligent man is more or less familiar with, and I came to the conclusion that the whole enterprise, except as a Government measure, was beyond the range of ordinary prudence."



Durant, under his contract with Hoxie, caused the Credit Mobilier to become entitled to all the profits under the Hoxie contract, and the Credit Mobilier proceeded to complete that contract to the one hundredth meridian. This it did, assuming the expenditures that had already been made, and expending its capital in carrying on the work. The contract was completed October 5th, 1866.

The Credit Mobilier Company, in settling with the Union Pacific Company, received a large amount of stock in the Railroad Company. This stock it was required to take and pay for at par. When it was in hand it was without market value, and the expedient was resorted to of selling it to the Credit Mobilier stockholders, in proportion to their stock, at the rate of four dollars and a half per share,—one dollar cash, balance scrip. This brought in many new stockholders in the Union Pacific. Also dissensions sprung up between Durant and the other members of the Credit Mobilier Company. He was President of the Credit Mobilier, and Vice-President of the Union Pacific, and some of the directors were acting in both companies. Durant and the men who acted with him, formed a party opposed to Ames and the Rhode Island and Massachusetts members. Durant was determined to make all that was possible out of the building of the road. The other party were determined Durant should not have the management of the contracts, as they were unwilling to trust him, and they believed the road itself would be a paying road when completed, and the stock would be valuable. They looked to the far future for their largest profit. Under these circumstances there was great dissension and very serious complications. When the Credit Mobilier completed the Hoxie contract in October, 1866, it was expected that it would proceed to take another contract, and it actually went on with the work. But the effort to put Durant out of the management was not entirely successful, and he resented the attempt so hotly that for a long time nothing could be done.

Durant openly boasted that the Credit Mobilier should never have another contract. Various proposals were made, but Durant, through the notorious Judge Barnard, obtained injunctions against them, and no settlement was effected. Meantime, the Credit Mobilier was proceeding without any contract, allowing its money to be spent on the railroad and getting into financial straits.\*

Early in 1867 it was found necessary to increase the capital stock. The first mortgage bonds of the railroad, which were to provide the means of payment on the Hoxie contract, could not be sold without great sacrifice. Money had been raised on them as collateral at fifty cents on the dollar, and the lenders were dissatisfied with their security. With Durant holding the position that he would rule or ruin, and backed as he was by Judge Barnard, the prospects of the Company looked very dark. To ask for an increase of capital seemed almost hopeless. To give this call some chance of success, the directors offered to give each shareholder who would increase his stock fifty per cent., and pay for the same at par, \$1000 in first mortgage Union Pacific bonds for each thousand dollars paid in. Yet on these terms the privileges were taken with hesitation. Fifteen stockholders, representing ten thousand eight hundred and eighty-four shares, or over one million dollars in a stock of two and a half millions, either did not increase, absolutely decreased, or sold out entirely. In some instances they agreed to take, and got the bond and sold the stock. Credit Mobilier stock was sold down to eighty-five.

Nevertheless the additional stock was placed, and the Credit Mobilier Company received in exchange for \$1000 in

\* Durant and his party were put out of the management of the Credit Mobilier Company, May 18th, 1867. Durant was never allowed to control that Company after that date. It was this which provoked his opposition. At that time R. G. Hazard was nominated for President of the Credit Mobilier, but he declined and nominated Sydney Dillon, who was elected. The management of the Credit Mobilier from that time onward was in able and honest hands. See Poland Report, page 87. Durant was not put out of the Union Pacific.

stock and \$1000 in Union Pacific bonds, \$1000 in cash, and the capital was made up to \$3,750,000, all of which was invested in the construction of the Union Pacific Railroad.

This relieved the pressure for only a short time. In order to save what had been invested, the work, of necessity, had to go on. The quarrel in the direction continued. The spring and summer of 1867 were dark days to all interested. R. G. Hazard went to New York and spent a large part of his time in attending to the finances. John B. Alley, of Boston, was on the committee with him. But for the great energy, perseverance and financial ability of these gentlemen, the Company would have failed. This is beyond question. In that case there would have been no profits to inquire about, but the stockholders in the Credit Mobilier would have been regarded by the wise men, after the fact, as a set of incompetent lunatics. Finally a compromise was effected. Durant consented that Oakes Ames should take a contract. The Credit Mobilier was not to take it as a company.

Technically, the connection of the Credit Mobilier Company with the Union Pacific Railroad ends here. It constructed two hundred and forty-seven miles of road, upon which very little profit was realized; it invested all its capital in the operation, and it made two dividends only, of six per cent. each. Besides this, it sold its stockholders two hundred per cent. of Union Pacific Railroad stock at four dollars and a half per share, and sold them \$1,250,000 in bonds, as before explained. Each stockholder, after an investment of two years, had in hand, for each one hundred dollars invested, two hundred dollars in Union Pacific stock, worth at that time not over twenty dollars, and thirty-three and one-third in Union Pacific Railroad bonds, worth say thirty dollars, and the Credit Mobilier stock, considered to be worthless. So, on this showing, each stockholder would lose half the money he put in.\*

\* On December 28th, 1867, as nothing had been paid to the stockholders of the Credit Mobilier, it was decided to pay interest for 1866 and 1867 at 6 per



This, though technically true, was practically avoided by the perfected arrangement. Oakes Ames made his contract for six hundred and sixty-seven miles of road August 16th, 1867. The rates varied from \$42,000 to \$96,000 per mile, and included stations, machine shops, rolling stock, etc., to the amount of not less than \$7,500 per mile. All expenses of engineering were likewise included.

Payment was to be made in cash, but this cash was to be derived from the sale of the government bonds at par and the first mortgage bonds at ninety or not less than eighty-five, and if the sale of bonds at these prices did not produce cash enough to pay the contract price, then the contractor was bound to subscribe cash enough to the stock of the Company to enable it to pay the balance. The effect of this was that the contractor got the government bonds, the first mortgage bonds, and a certain varying amount of stock for building the road.

On the 15th of October, two months afterwards, Oakes Ames assigned the contract to seven trustees. The instrument by which this was done was drawn with great care by eminent counsel, and is in the form of a tripartite agreement. The effect of this paper was to transfer the building of the road to the seven named trustees. The trustees took the place of Oakes Ames. The Union Pacific Railroad was to pay them as it had agreed to pay Ames. The trustees were to perform all the terms Ames had agreed to perform. Then the trustees agreed to pay over all the profits of the contract to the individual holders of stock in the Credit Mobilier, in the proportion in which they held stock at the date of the instrument. All stockholders in the Credit Mobilier, as a condition precedent to receiving these profits, were to exe-

cent. per annum, making 12 per cent. for the two years. Money was, however, very low in the treasury, and Union Pacific stock was plenty. It was therefore concluded to pay this 12 per cent. in Union Pacific stock at 30 per cent. of its par value. This is equivalent to 40 per cent. in stock, and it is the dividend of 40 per cent. which is set down under date of December 28th on the list hereafter given.

cute irrevocable proxies to the trustees to vote on six-tenths of all their Union Pacific stock, and the contract was to be approved by all the stockholders in the Union Pacific. The Credit Mobilier Company, as the third party to the agreement, agreed to advance the necessary funds, and to guarantee the trustees against loss in the execution of the contract, for which the Company was to receive interest at seven per cent. upon the money advanced, and a commission of two and a half per cent.

Under this arrangement the road was built, for the Davis contract which followed the Ames contract was in effect a mere extension of it, upon the same terms to the same trustees. The trustees performed their part, and after paying for the building of the road and its equipment, they divided among the stockholders in the Credit Mobilier who were of record at the time when they assumed the duties of their trust, the profits which remained.

I have thus sketched the history of the Credit Mobilier Company as it was connected with the building of the Pacific Railroad. It is the history of a contracting construction company, but it was conducted on fairer and more equitable principles than it is usual to find. The common method of construction companies is to take into their ring of stockholders such as they may choose. Then the contracts for construction are made for the benefit of this ring, and contrary to the interests of the stockholders in the company whose works they are constructing.

The Contract and Finance Company which built the Central Pacific was such a company, but its name is almost unknown, and no aspersions have been cast upon the men who took much larger profits to themselves than were realized by the Credit Mobilier, and who excluded a part of their associates from any share. This was not done in the Credit Mobilier. I was myself present at a meeting (for I became a stockholder in 1866) when it was voted to give to every person who had paid money into the Union Pacific

Railroad Company the option to sell his stock to the Credit Mobilier Company at what it had cost him, or to take stock for it in the Credit Mobilier. I voted for that proposition, and to the honor of the Credit Mobilier Company there was, as I remember, little or no opposition. Under this vote, practically, all of the original stockholders of the Union Pacific Railroad became stockholders in the Credit Mobilier, or were paid for their stock, and went out of the business entirely. This was done before the Oakes Ames contract was assigned to the seven trustees. By the terms of that assignment the profits were to be divided among the holders of Credit Mobilier stock in the proportion of the number of shares standing in the names of the several holders October 15th, 1867. Before this date, the purpose of the vote referred to had been carried out, and the result was that every person who contributed money to build the Union Pacific Railroad received his proper share of the profit. In this respect the Credit Mobilier was a model construction company.

It has been charged that the Credit Mobilier Company contracted with itself, and so its contracts were fraudulent. But this is not the fact. In the beginning, Ames and the Rhode Island parties had nothing to do with the Union Pacific Railroad. The Hoxie contract had been already made. The overtures were made by the Railroad Company. That Company asked assistance, and asked it in this particular way. The two companies might have been kept entirely distinct, and, if they had been, the profits to the Credit Mobilier stockholders would have been larger. But subsequently, as a matter of equity, the Credit Mobilier stockholders admitted all who had paid in money to build the road to share the profit, or to take out their money. This, and the purchase of Union Pacific stock by the Credit Mobilier, merged one company into the other in the popular understanding, and when the interests of both became identical, there was no real reason for keeping them distinct.

Much has been said about the immense profits made by



the Credit Mobilier Company. I do not know that the per cent. of profit in any transaction has any bearing upon its moral quality. Yet the enormous profit alleged to have been made has been charged as a crime. If this is so, and great profit is wrong, what a criminal Elias Howe must be! His little invention of putting an eye near the point of a needle has brought in revenues which, while truly princely, can hardly be represented by thousands of per cents. But instead of regarding Elias Howe as a criminal, he is rightly looked upon as a great benefactor to the human race. Millions of sewing machines have increased the comfort and lessened the labor of millions of families.

So it is with every new invention and every new enterprise. The profit to be made depends on the service rendered to the community. In the construction of a railroad the case is clearer than in that of an invention.

Take the Union Pacific Railroad. Before its construction the Government was expending for the transportation of troops, supplies, mails, etc., to the plains and to California, across the plains, about \$7,000,000 per annum. This was the average for the five years preceding 1862. Upon this the saving has been proved to be near \$5,000,000 yearly. The nation, besides this, was expending a sum which can only be roughly estimated, in transportation of men, materials and supplies to the mining camps, which were then springing up. Some slight idea of this sum can be obtained when we remember that in 1865 the cost of freight by wagon from Omaha to Salt Lake City was over twenty-seven dollars per hundred pounds, and the road now performs the service for less than one-tenth that rate. If such a saving were estimated upon the present business, the result would be fabulous.

The Company which effected these great savings to the Government and to the nation certainly has the right to a large profit. The shareholders in the Credit Mobilier advanced \$3,750,000 in cash upon a proposal which other

capitalists would not accept because they could see no profit. They incurred the risk of building the road, the Government and the public reaped immense advantages, and the men who put in their capital and came near making shipwreck of their fortunes, received a profit not equal to that made by a well-managed cotton mill during the same years.

Is it not clear, that whatever profit the public was willing to pay, in order to secure the benefit of the road, the Company might with propriety receive.

The Government gave the right of way and the alternate sections of land for twenty miles on each side of the track. This land was nearly worthless at the time it was given, and after the road was built the alternate sections retained by the Government were worth much more than the whole was before. By the building of the road the Government lost nothing on its land, but made a gain in value. The Company gained the value which the road imparted to the sections given them. The building of the road created this value. Aside from the land, the Government gave nothing. The Company received a loan of \$27,000,000 government bonds, and the Government took a second mortgage to secure the debt. The Company also borrowed of the public \$27,000,000 on its first mortgage bonds, and subsequently about \$20,000,000 more on its income and land grant bonds. The total net sales of all its bonds, including the government bonds, amounted to \$63,463,764.09.\*

\* The following statement shows the total bonds and stock of the Union Pacific Railroad:—

	Face value.	Discount.	Net.
Government . . . . .	\$27,236,512 00	\$91,348 72	\$27,145,163 28
First mortgage . . . . .	27,213,000 00	3,494,991 23	23,718,008 77
Land grant . . . . .	10,400,000 00	4,336,007 96	6,063,992 04
Income bonds . . . . .	9,355,000 00	2,818,400 00	6,536,600 00
	<hr/>		
	\$74,204,512 00	\$10,740,747 91	\$63,463,764 09
Stock . . . . .	36,000,000 00		
	<hr/>		
Total face value . . . . .	\$110,204,512 00		
Floating debt . . . . .	3,829,216 52		
	<hr/>		

\$114,033,728 52=Total cost of road, per B. F. Ham's statement. Wilson Report, pages 636, 639 and 590.

Now, the value of all these securities, except the government bonds, was created by the road, and they all, including the government bonds, are a debt upon it. The business of the road must pay them principal and interest, and if it cannot, then they will fall in value. If it can just pay the interest on these bonds, and no more, then the *stock* will have no value.

Now, the greater part of the profit received by the contractors for building the road was in the stock of the Railroad Company. The trustees of the stockholders of the Credit Mobilier took it at par in payment of their contract. If it turned out to be of no value, their profit was largely gone. In any event, these stockholders, by their own efforts and capital, built the road, they became responsible for the debts placed upon it, and they could in no case get anything of value out of the road except what they themselves created by its construction.

What the stockholders of the Credit Mobilier actually received amounts to this :—After nearly four years of investment, they received sixty per cent. in cash, eighty per cent. in first mortgage bonds, and seventy-five per cent. in income bonds. Taking these securities at their current prices, by their sale, and the cash dividends, each stockholder would receive his money back, and nine-tenths as much more—that is, ninety per cent. paid for four years' investment at the end of the time. Add the bonus bonds, and it will be a little less than one hundred and twenty per cent.\*

Besides this, he received by the purchase at four dollars and a half before alluded to, and by dividend, six hundred and fifteen per cent. in stock of the Union Pacific Railroad.† This, at the time, had little or no market value. It was sold at nine and ten in 1868, but soon after the completion of the

\* I have taken four years as the time of investment. This allows less than a year after the receipt of the last dividends in July, 1868, in which to sell the securities.

† The following is a full statement of the allotments and dividends to the Credit Mobilier stockholders:—



road it went up to thirty. It is now worth over one hundred. Those who held this stock, of course, made a large profit, but at the time it was divided its value was almost purely speculative. Looking back from the present stand-

1866.

April. 50 per cent. of his stock was allotted to each stockholder at \$4.50 per share—\$1 cash.

Sept. 50 per cent. same conditions.

Dec. 100 per cent. same conditions.

200 per cent. total stock thus sold.

1867.

Feb. For \$1000 cash paid in for the new stock, there was given with the stock a \$1000 first mortgage Union Pacific bond as a bonus to secure the subscription.

The following dividends were declared:—

1867.

Dec. 12. 60 per cent. in first mortgage U. P. bonds.

“ “ 60 per cent. in U. P. stock.

“ 28. 40 per cent. “ “ See note on p. 21. } All paid Jan. 3d, 1868.

1868.

Jan. 3. 20 per cent. in first mortgage U. P. bonds.

June 15. 40 per cent. in U. P. stock.

“ 17. 60 per cent. in cash.

July 3. 75 per cent. in first mortgage U. P. bonds, but not paid. Income bonds were substituted.

“ 8. 75 per cent. in U. P. stock.

Dec. 28. 200 per cent. “ “

Total—60 per cent. cash, . . . . . 60

80 per cent. first mortgage bonds at 87½, . . . . . 70

75 per cent. income bonds at 80, . . . . . 60

415 per cent. U. P. stock,

Total in cash and marketable securities. . . . . 190 per cent.

The dividends were all paid in 1868.

It must be noted that all these securities, given as dividends to the Credit Mobilier stockholders, would have been valueless unless the road had been a success as a road for commercial purposes. If it had failed to be operated at a profit, these dividends would have been waste paper. No money was transferred from one party to another without fair consideration. There was no swindle, for nobody had any money to lose except the stockholders in the Credit Mobilier Company. The Union Pacific Railroad Company had only put in \$218,000, and that was either repaid to the parties who paid it, or it became part of the Credit Mobilier capital. The Government put in no money, only land. The Credit Mobilier stockholders put in all the capital there was; they borrowed money on their own responsibility, they built the road, and, when they made it a success, the paper securities they had received by way of dividends became valuable, and a profit was realized. If they had not succeeded, they would have lost their investment, and their private fortunes besides.

point, we can see that at that time it was worth, to hold, about fifty. On this basis, the total profit received by the stockholders of the Credit Mobilier was about \$15,000,000, on an expenditure of about \$70,000,000, or a little over twenty per cent.\* This is a high estimate, and is probably more than was realized by the great majority of stockholders. A fairer criterion would be to take the value of the stock as estimated at the time. This value, as I personally know, was very uncertain. I inquired of the best informed directors, and came to the conclusion that ten was a high value to place upon it. On this basis, the total profit would be about \$6,000,000, or less than nine per cent. on the expenditure.

Various estimates have been made of this profit, some of them as low as eight per cent. on amount expended. Mr. J. B. Crawford, a Boston lawyer, has just published a book on the history of the Credit Mobilier of America. He is not always quite accurate, and his book shows in a curious way the change which came over his convictions as he examined the subject. He began by supposing he was going to expose a great swindle. As he went on in his researches, he found that he had been mistaken, and he ends by defending the men and the Company which have been so grossly abused. Mr. Crawford, after going over the figures in the Wilson report, makes his own estimate of the profit, and makes the net amount \$8,141,903.70, or about twelve per cent. on the amount expended.† But taking the largest

\* See Wilson Report, page 637.

† See "The Credit Mobilier of America," by J. B. Crawford, published by C. W. Calkins & Co., Boston, 1880, page 71. Some errors have crept into Mr. Crawford's statement. As, however, they counterbalance each other, they do not greatly vary the true result. Taking his valuation, a correct statement of the value of dividends would be—

60 per cent. cash,	\$2,250,000
80 per cent. first mortgage bonds at 85,	2,550,000
75 per cent. income bonds at 80,	2,250,000
415 per cent. U. P. stock at 30,	4,668,750
Total,	\$11,718,750
Deduct Credit Mobilier capital,	3,750,000
Balance net profit,	\$7,968,750

estimate, and suppose the profit realized was \$15,000,000, or about four times the capital of the Credit Mobilier Company, how does the account stand? In less than two years after the completion of the road, the Government, by the use of the road, had saved in transportation more than that sum. In the very able argument of Edward Atkinson before the committee of Congress Jan. 1st, 1871, when the road had been completed only a year and a half, he demonstrated that the United States had saved, up to Jan. 1st, 1871, after paying the interest on bonds advanced, \$11,480,104.56, and in this estimate he called the transportation, before the railroad, only four times what it is with the railroad, when a true estimate would be six to ten times, and he also deducts as a loss the interest paid by the Government, when this interest is secured by mortgage and will ultimately be repaid.

I am within bounds, therefore, when I say, that within two years after the completion of the road the Government had made a clear saving of an amount equal to the entire profit made by the builders. The public had saved an amount at least four or five times as great. Does this seem unfair?

But, leaving out of view the benefit to the public, and looking at the matter solely with reference to the Government on the one hand, and the builders of the road on the other, it must be noticed that while the builders received their profit in a net capital sum of \$15,000,000, the saving to the Government is a yearly receipt. The amount of this saving has been variously estimated. During the first years it was not less than \$5,000,000 per year. This capitalized at five per cent. makes \$100,000,000. Certainly one-half of this sum would be a low estimate of what the Government has made out of the building of the Pacific Railroad; and besides this direct profit, it has all the collateral advantages of the connection between its widely-severed States. For this great saving what did it give? It invested no capital. It gave half of a



tract of land for which it had no use, and which had little value, and it obtained on the half reserved an added value many times greater than that which the whole had before. In addition, it loaned its credit for a term of years upon security of its own choosing, and which proves to be ample. If the Credit Mobilier stockholders are to be charged with the crime of making too large a profit upon the capital invested, how much greater is the crime of the Government in the same direction? It has made a much larger profit and permanently invested no capital.

But the whole charge of excessive profit where no one is wronged is folly. In this case the Railroad Company was not wronged. No one of the Union Pacific stockholders was wronged, and the highest judicial authority has decided that the Government was not wronged. Nobody was wronged. The builders of the road created, by their enterprise, an immense value, and out of it they secured for themselves only a moderate portion compared with that which the Government and the public received.

What, then, was the cause of the hue and cry against the Credit Mobilier? Why has it been denounced as a swindle?

The answer to this question opens up a curious chapter in the history of our politics, and gives glimpses of our public men which are not flattering.

As soon as the success of the undertaking was made certain, all sorts of bloodsuckers began to attach themselves to the filling treasury. As early as 1867, some blackmailing was done. It appears in evidence that a government inspector, Cornelius Wendell, appointed by President Johnson, declined to report on the sections of road he was to examine unless he was paid \$25,000.\* It was a case of forbearing to do his office except for hire. In order to do great damage he had only to do nothing. This method was a favorite one; delay in obtaining bonds when due would have been fatal, and lobbyists and others in a po-

\* See Wilson Report, pages 287 and 288.

sition to obstruct, required to be bought off. It was at this time that Oakes Ames obtained and sold to his friends the stock in the Credit Mobilier. He had spoken to them before, in some cases promised the stock, and he was, no doubt, influenced by a desire to fulfil his promises and to strengthen his position in Congress in order to resist the lobbyists and blackmailers. That he imagined that he was doing anything wrong, or that he had any idea of bribing Congress to pass any act of legislation, or to do anything for the interest of the Credit Mobilier or of the Union Pacific Railroad, seems to be disproved by his subsequent acts, and by all the subsequent history.\*

In the spring of 1869 occurred the famous raid upon the Union Pacific Company by James Fisk. He attempted to get control of the Company, and for that purpose he had in his pay some New York judges, and all the power of the courts was at his disposal. He seized the offices; the safes were broken open; a large number of bonds were seized, and in the confusion many were lost or stolen. The books and papers that could be got together by the clerks were carried over to Jersey City by stealth, and the organization of the Union Pacific Railroad Company was nearly broken up. Congress was petitioned for relief, and a bill was passed authorizing the removal of the office from New York to Boston.

\* In all cases Ames sold the stock for par and interest, exactly what it cost him. The expressions, "he gave the stock," "he distributed the stock," etc., which have been freely used in this connection, are misleading. In no instance did he give away any stock. In some cases he was not paid in cash at the time of sale, but he was paid subsequently out of the dividends. At the time the contracts of sale were made, these dividends had not been declared, and were not certain. Mr. Crawford calls attention to the fact that Ames probably completed these sale contracts at the extra session of Congress in the fall of 1867. This session began November 21st. The regular December session followed on, and the effect was the same as if Congress had met two weeks earlier than usual. Hence this extra session has escaped attention. The testimony is, that Ames closed up his contracts very soon after the assembling of Congress, probably before December 1st. No dividends were paid till January 3rd, 1868, and in November and early part of December, 1867, there was no great change in the value of Credit Mobilier stock.

The resistance to this common enemy preserved the peace within the organization for some time, but when that danger was past, dissensions which it had quieted again broke out. There was a quarrel as to the right of Col. H. S. McComb, of Delaware, to receive twenty-five thousand dollars worth of stock. McComb claimed the right, by virtue of a subscription he had made for a friend March 3d, 1866. Correspondence passed between Oakes Ames and McComb on the subject, and Ames in his letters stated that he had not kept the stock himself, but had placed it with influential men, where it would strengthen the Company. He mentioned the names of several members of Congress, and used the expression which has become so well known, that he had placed it where it would do the most good. Ames was a blunt, outspoken man, not of fine grain, and his expressions in his letters ought to be looked at from his standpoint. They have, on the contrary, been informed with meaning which Ames never intended. This is evident from the fact that Ames did not fear exposure. He simply laughed at the idea, and said there was nothing to expose.

Meanwhile the attitude of the Government became hostile to the road. The Secretary of the Treasury ruled that he had the right to reserve all of the amount earned for services to the Government instead of one-half, and apply it to the payment of interest on the bonds loaned. The Attorney General supported this decision by an opinion which it is difficult to properly characterize. Two remarkable points are made: one, that in interpreting a law, the remarks upon it by members of Congress participating in the debates at the time of its passage, cannot be considered, in arriving at what the legislature actually intended. The other is an argument that the interest is due, and is a present indebtedness, which the Government can use as offset in settling an account because it is represented by a coupon; when, in fact, the bonds issued to the Pacific Railroads are registered and have no coupons—comment is unnecessary. But these



struggles between the Government and the railroad injured the Company, though Congress in 1871 reversed, by enactment, the ruling of the Secretary of the Treasury, and directed him to pay over, half the Government transportation, in cash.

Still, collisions continued. McComb pressed his claim. He had brought suit late in 1867, but the matter was allowed to drag along till 1872. Then Judge Black, counsel for McComb, approached Ames's friends with propositions of settlement. McComb claimed twenty-five thousand dollars' worth of stock. Black urged that the claim should be allowed, and the suit settled. If not, the publication of the letters would ruin many a man then in high position. Three times Black came to Ames with some such proposals, but Ames declined to accede to any of them. He regarded the matter as a blackmailing operation.

At last a copy of the evidence taken before the Master was obtained,—some allege that it was stolen. At all events, the letters were made public.\* The New York *Sun* of September 4th, 1872, spread the matter before its readers in characteristic style: "The King of Frauds; how the Credit Mobilier bought its way through Congress," etc.

It is difficult to understand how the printed testimony which follows can be made to sustain the charges. There must have been an extremely unstable condition of public morals at Washington when such scantily supported accusations could have produced such terror in the accused, and such a wild excitement in the country. Suddenly the name "Credit Mobilier" was in every one's mouth. The difficulty of pronouncing it was against it. No one knew what it meant, but nothing was too atrocious or too monstrous to be believed. According to the *Sun*, Ames had distributed, as bribes, thirty thousand shares of the stock, worth nine millions of dollars!

\* See Crawford's History of the Credit Mobilier, pp. 100, 101. Also Poland Report, pp. 91, 92, 93.

The attitude of the accused was, however, the most pitiable and the most disgraceful. Without regard to the truth, many of them made absolute denials of all knowledge of the Credit Mobilier. They said they had never had any stock in the Company directly or indirectly, and by their very eagerness to disavow the business, they created the presumption that there was something about it which was wrong.

On the assembling of Congress in the fall of 1872, the matter was brought up. By this time it had become a question of political capital. The Democrats were very willing to use it to drag down men who stood high in the Republican ranks. To parry this attack the Republican leaders seem to have thought that any course was fair. Pressure was brought on Ames to support the wholesale denials. Ames, however, would not consent. He told the truth. They produced enough effect on him to make him hesitate, and tell what he knew with reluctance, and by piecemeal, and this produced an unfavorable effect. But he finally told, as I believe, all the truth, and it is to be found in the pages of the Wilson and Poland reports. The Wilson Committee was appointed to inquire and ascertain if the Government had been defrauded, and if so, to devise a remedy. At the same time the Poland Committee (the committees took their names from their chairmen) was appointed to ascertain if any person had been guilty of bribing members of Congress.

The committees attempted to sit with closed doors, but the outcry against this was so furious that they were obliged to open them. The idea had gone abroad that the people had been swindled and Congress had been bribed. The letters of Ames to McComb and McComb's interpretation of them made out a *prima facie* case. The untrue and evasive denials, and the attempt to investigate with closed doors, only deepened the popular impression of wickedness. The political managers were in despair. It was necessary to do something to purge Congress, and make it stand once more pure in the eyes of the people.

Under these circumstances, it is not strange that the reports of the Wilson and Poland committees should lean in favor of Congress, and throw blame on the Credit Mobilier and Oakes Ames. An extra-judicial committee could hardly be expected to make a calm, judicial report. But the future historian, as he reads those reports and learns the decisions reached by Congress upon the state of facts presented, may well moralize over the frailty of human justice, when confronted with popular prejudice and selfish fear.

All this is matter of public history. The Poland committee found Oakes Ames guilty of bribery, and they recommended his expulsion. It was useless to point out that no Act was before Congress at the time of the alleged bribery, or before, or after it, for which Ames was seeking votes. Ames was guilty in the abstract. No person whom he had bribed or sought to bribe was produced, nor was any object he had attempted to accomplish suggested. The offence was alleged to have been committed in a previous Congress, but the committee recommended his present expulsion.

The committee also recommended the expulsion of James Brooks. As to the absolute guilt or innocence of Ames, or of any of the members of Congress, I do not pretend to judge. Public men must be very careful not to put themselves in a position where their interests will dictate their public acts. But whether the holding of Credit Mobilier stock, or of National Bank stock, or being the owner of stock in a company affected by the tariff, is a disability for a member of Congress, must be determined each man for himself. It is evident, however, that Ames was not guilty of bribery, and whatever impropriety there was, either on his part, or on the part of any of the members of Congress, had been committed years before this investigation; and whether a Congress could expel any of its members for acts committed previous to its own existence, became an important question of jurisdiction. The lawyers of the House decided that the committee had gone too far, and that there



was no authority to expel in such a case, and votes of censure were passed instead.

The Wilson Committee went still greater lengths. It proposed a bill as a remedy for the wrong which the Government was alleged to have suffered. This bill was amended, and as finally passed it is a bill which cannot be read without wonder. It seems incredible that in a country professing free, such an interference with personal rights and liberties should have been thought of.

The bill first directs the Secretary of the Treasury to retain the whole of the money earned by the Union Pacific Railroad Company for Government transportation. This, notwithstanding the plain contract in the original acts, and the interpretation of this contract by Congress in March, 1871. Then it directs the Attorney General to bring suit against the stockholders of the Credit Mobilier. They are not so named in the Act, but they are so referred to that the Attorney General understood that this was his duty, and he so brought suit. The Act provides that all these persons, scattered widely over the country, shall be obliged to answer before one Court, and all were obliged to answer in the District of Connecticut. It is not a general law, but an edict against certain persons who had made no contract with the United States, and who had committed no offence against any law. The suit was also to be against the Union Pacific Railroad, and the Court was directed to enquire whether the money, if any, recovered should be paid to the United States or to the Union Pacific Railroad. To make it certain that that Company would have funds to pay the judgment, it was further provided that the bankrupt law then in force should not apply to the Union Pacific Railroad Company, thus suspending a general law for a particular purpose.

Before this edict was enacted, before the vote of censure was passed, Oakes Ames caused to be read from the Clerk's desk his defence. It is a remarkable paper, and ought to have produced some effect. I will read the concluding sentences :—

"These, then, are my offences: that I have risked reputation, fortune, everything, in an enterprise of incalculable benefit to the Government, from which the capital of the world shrank; that I have sought to strengthen the work thus rashly undertaken by invoking the charitable judgment of the public upon its obstacles and embarrassments; that I have had friends, some of them in official life, with whom I have been willing to share advantageous opportunities of investments; that I have kept to the truth, through good and evil report, denying nothing, concealing nothing, reserving nothing. Who will say that I alone am to be offered up a sacrifice to appease a public clamor, or expiate the sins of others? Not until such an offering is made will I believe it possible. But if this body shall so order that it can best be purified by the choice of a single victim, I shall accept its mandate, appealing, with unflinching confidence, to the impartial verdict of history for that vindication which it is proposed to deny me here."

But the appeal was unavailing. The vote of censure was passed; the edict against the Credit Mobilier stockholders went forth, and Congress purged itself and proved its virtue in the eyes of the populace.

In due time the questions of law raised by these Acts of Congress came before the courts. Fortunately for our country, the judicial mind did not take the same view that the politicians had done. Before the Court of Claims, and then before the Supreme Court, on the appeal of the United States, the Union Pacific Railroad Company recovered the half of the government transportation wrongfully withheld by Act of Congress.

The stockholders of the Credit Mobilier were subjected to the dishonor and mortification of a suit by the United States on a charge of fraud. They were obliged to answer, at much trouble and expense, in the district of Connecticut. After an elaborate argument by the Government, the Court (Justice Hunt) decided that no case had been made out. The United States appealed, and the Supreme Court has sustained the decision. It has decided that the bill shows no ground upon which the Government could found a claim against the Union Pacific Railroad, or against the stockholders of the Credit Mobilier.\*

\* The decisions of the Circuit Court and of the Supreme Court are easily accessible, and should be read in full by those wishing to understand the case fully. In reading them, it must be remembered that the cases were argued

The case of Oakes Ames has gone before a higher tribunal. Soon after the vote of censure, which affected him

on demurrer, which prevented the defendants from denying the injurious charges of the Government counsel.

For the convenience of readers who have not the full decisions at hand, I quote some of the conclusions of the Supreme Court. Mr. Justice Miller read the Opinion:

"There is, therefore, no ground for relief on account of money due by defendant to plaintiff. \* \* \* \* \*

"The Government made its contract and bargained for its security. It had a first lien on the road by the original act of incorporation, which would have made its loan safe in any event. But in its anxiety to secure the construction of the road,—an end more important to the Government than to any one else, and still more important to the people whom it represented,—it postponed this lien to another mortgage, that the means might be raised to complete it. The Government has the second lien, however, and it has the right to appropriate one-half of the price it pays for the use of the road—a very large sum—annually, and five per cent. of the net earnings of the road, which may become much larger, to the extinction of this debt. \* \* \* \* \*

"It is difficult to see any right which the Government has as a creditor to interfere between the corporation and those with whom it deals. It has been careful to look out for itself in making the contract, and it has the right which that contract gives. What more can it ask? It is true that there is an allegation of insolvency. But in what that insolvency consists is not clearly shown. It has a floating debt. What railroad company has not? It is said it does not pay the interest on its debt to the United States. We have shown that it owes the United States no money that is due. There is no allegation that it does not pay the interest on all its own funded debt. The allegation as it is would be wholly insufficient to place the corporation in bankruptcy even if that was not forbidden by the Act under which this bill is drawn. The facts stated are utterly insufficient to support a creditor's bill by the United States. That requires a judgment at law, an execution issued, and a return of *nulla bona*. Here there is no judgment, no money due, and no sufficient allegation of insolvency.

"We are unable, therefore, to see any relief which the United States would be entitled to in a Court of Equity under this bill, on account of its contract relations with the defendant.

"The bill has established no right in the Government, under this clause, or under any clause of the Act, to recover in its own right any property or money from this corporation. \* \* \* \* \*

"This brings us to the consideration of the last ground of relief which we propose to notice, and which, with the alleged right to have a decree in favor of the Company against the individuals and corporations who have defrauded it, is most earnestly insisted on here.

"The proposition is that the United States, as the grantor of the franchises of the Company, the author of its charter, and the donor of lands and of rights and privileges of immense value, and as *parens patriæ*, is a Trustee, invested with power to enforce the proper use of the property and franchises granted for the benefit of the public.

"The legislative power of Congress over this subject has already been considered, and need not be further alluded to. The trust here relied on is one which is supposed to grow out of the relations of the corporation to the



greatly, he died. At the time of the vote many members of Congress came over to his seat, and apologised to him

Government, and which are cognizable in the ordinary courts of equity without any aid from legislation.

"It must be confessed that with every desire to find some clear and well-defined statement of the foundation for relief under this head of jurisdiction, and after a very careful examination of the authorities cited, the nature of this claim of right remains exceedingly vague. \* \* \* \*

"If the United States is a Trustee, there must be *cestuis que trust*. There cannot be the one without the other, and the Trustee cannot be a Trustee for himself alone. If the legal right and the use is in the same party, and there are no ulterior trusts, it ceases to be a trust.

"Who are the *cestuis que trust* for whose benefit this suit is brought? If it be the defrauded stockholders, we have already shown that they are capable of asserting their own rights; that if this suit should be successful, no means are provided by the statute for securing those rights in it, and there is nothing in the statute which indicates any such purpose.

"If the trust concerned relates to the rights of the public in the use of the road, no wrong is alleged capable of redress in this suit, or which requires such a suit for redress. \* \* \* \*

"The liberal manner in which the Government has aided this Company in money and lands is much urged upon us as reasons why the rights of the United States should be liberally construed. This matter is fully considered in the opinion of the court already cited, in the case of *The U. S. vs. Union Pacific Railroad Company*, 91 U. S. R., 72, in which it is shown that it was a wise liberality, for which the Government has received all the advantages for which it bargained, and more than it expected. In the feeble infancy of this child of its creation, when its life and its usefulness were very uncertain, the Government, fully alive to its importance, did all that it could to strengthen, to support, to sustain it. Since it has grown to a vigorous manhood, it may not have displayed the gratitude which so much care called for. If this be so, it is but another instance of the absence of human affections which is said to characterize all corporations. It must, however, be admitted that it has fulfilled the purpose and realized the hopes in which it was founded; that the Government has found it a useful agent, enabling it to save vast sums in transportation of troops, mails, and supplies, and in the use of the telegraph.

"A court of justice is not called on to enquire into the balance of benefits and favors on each side of this controversy, but into the rights of the parties as established by law, as found in their contracts, as recognized by the established principles of equity, and to decide accordingly. Governed by this rule, and by the intention of the Legislature in passing the law under which this suit is brought, we concur with the Circuit Court in holding that no case for relief is made by the bill, and the decree of that court dismissing it is accordingly affirmed."

The Court intimates that if any one has a claim, it is the defrauded stockholders: "if any such there be," the decision says in one place. But there were no defrauded stockholders. They prosecuted no claim.

With regard to the Government, the decision is clear that no claim exists, and it appears that Congress, under the stimulus of fear of a popular clamor, passed an unjust, tyrannical, and cruel edict, for which the Court finds no legal or equitable basis.

for voting to censure him on the ground that they were afraid to go before their constituents with a vote in his favor. But he could not be so consoled. A disease which was upon him developed rapidly, and he went home to die. The vindication of history to which he appealed is tardily making itself heard. The arguments before the Courts, the decisions of the Courts, the contributions to the literature of the subject by such men as Henry T. Blake, Edward Atkinson, and Henry V. Poor, and now this book of J. B. Crawford, which is more of a history than has before appeared, all are tending to bring about the vindication which Ames confidently looked forward to. When the whole history is fully understood, it will be seen that however certain members of Congress may have smirched their consciences with lies, the builders of the Pacific Railroad, the holders of stock in the Credit Mobilier, who advanced their money when no one else would, and who, by their energy and perseverance, carried the road through to completion, are entitled to the thanks of the nation and to the honor of posterity.

Some of the men who were accused in Congress did not deny that they had taken Credit Mobilier stock; James F. Wilson was one, B. F. Boyer was another. They bought the stock as an investment. I have never heard that they were degraded. I wish to read a part of the testimony of Boyer:—

“I had no idea of wrong in the matter. Nor do I now see how it concerns the public. No one connected with either the Credit Mobilier or the Union Pacific Railroad ever directly or indirectly expressed, or in any way hinted, that my services as a member of Congress were expected in behalf of either corporation in consideration of the stock I obtained, and certainly no such services were ever rendered. I was much less embarrassed as a member of Congress by the ownership of Credit Mobilier stock than I should have been had I owned stock in a national bank, or in an iron-furnace, or a woolen-mill, or even a holder of government bonds; for there was important legislation while I was in Congress affecting all these interests, but no legislation whatever concerning the Credit Mobilier. I can therefore find nothing in my conduct in that regard to regret. It was, in my judgment, both honest and honorable, and consistent with my position as a member of Congress. And as the investment turned out to be profitable, my only regret is that it was no larger in amount.”—(*Poland Report*, page 208.)

If all the accused members of Congress could have taken this ground, there would have been no scandal.

But all of those stockholders who were not members of Congress, who only took their stock as they would have taken any other investment, who came in after earnest solicitation when other capitalists held aloof, who took the risk and built the Union Pacific Railroad, may well adopt the language of Mr. Boyer: "I can find nothing in my conduct in that regard to regret. It was, in my judgment, both honest and honorable."

The verdict of history will surely declare that these men performed a noble work for their country.













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